

BUSINESS CONDITIONS

SEVENTH FEDERAL



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Volume 17, No. 7

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

RESERVE DISTRICT

INDIANA UNIVERSITY LIBRARY

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June 30, 1934

General Summary

MOST phases of Seventh district industry and trade continued to record a rising trend during May, with the merchandising of commodities showing a greater than seasonal expansion in volume. However, owing to the sharp acceleration that occurred in the month last year, the margin of gain in the year-ago comparison was narrowed considerably in many instances.

Steel operations by the middle of June had attained a rate higher than at the same time in any of the three preceding years and close to that for 1930 in mid-June; both new business and shipments aggregated heavier for May than for April. Output from steel and malleable casting foundries and that of stoves likewise exceeded that of a month previous. Shipments of furniture showed a non-seasonal gain, and orders booked were somewhat heavier than in April but under the year-ago volume. Automobiles and building furnished exceptions to the upward trends recorded, some decline from the preceding month taking place in both these industries, although in the latter, evidence of activity was indicated in a greater movement of materials and a more than seasonal increase in employment. Seventh district employment and payrolls as a whole increased somewhat further in May over April; manufacturing payrolls, however, were slightly smaller owing to the curtailment in the automobile industry.

Both the production and sales of meat-packing products increased in May over April and totaled larger than a year ago. Butter production and sales also rose about seasonally in the monthly comparison, but although sales were heavier than in May 1933, the volume of production was under that month. The increase in the manufacture of Wisconsin cheese was smaller than usual, while the decline in sales was less than seasonal; production ex-

ceeded that of last year in the same period, and distribution totaled smaller. As the result of an active demand and limited offerings, grain prices rose sharply during May; shipments of grain were in good volume in the month. A considerable decline in the condition of crops occurred between May 1 and the first of June, as the drouth became more intense.

Distribution of commodities by reporting wholesale trade groups expanded more than seasonally in May over the preceding month, and the gain in the drug trade was contrary to trend for the period. Department store sales exceeded those of April by 7 per cent, which increase compares with a slight recession in the 1924-33 May average. Increases in the retail shoe and furniture trades were greater than seasonal in May. Chain store sales followed the upward trend of other retail groups. Distribution of automobiles at wholesale was smaller than a month previous for the first time this year, while sales to consumers increased very slightly.

In financial phases may be noted a small increase between May 16 and June 13 in the amount of reserve bank credit extended in the Seventh district, and a decline in total loans and investments of reporting member banks; net demand deposits of these banks gained in the period, while time deposits declined. Dealer sales of commercial paper fell off in May from April following five months of expansion, but new financing by means of bankers' acceptances rose sharply, though remaining substantially under the year-ago volume.

Credit Conditions and Money Rates

Total credit outstanding of the Federal Reserve Bank of Chicago amounted to \$431,679,000 on June 13, or practically unchanged from the \$431,558,000 on May 16. The volume of credit extended directly by this bank within the Seventh district increased slightly over 1½ million dollars during the four-week period. Reversing the tendency of recent weeks, there was a movement of more than 98 millions into the district because of inter-district commercial and financial transactions during the four weeks ended June 13. Demand for currency fell off 9½ million dollars. With these substantial additions to banking reserves, member bank balances increased 66½ million dollars, and special and "all other" deposits were almost 30 millions larger, despite a small excess of United States Treasury collections over disbursements.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	JUNE 13 1934	CHANGE FROM MAY 16 1934	JUNE 14 1933
Total Bills and Securities.....	\$431.8	\$-2.3	\$+126.7
Bills Discounted.....	0.3	-0.8	-15.4
Bills Bought.....	0.6	0	-0.5
U. S. Government Securities.....	430.8	-1.5	+142.7
Total Reserves.....	1,091.4	+96.1	+160.5
Total Deposits.....	724.7	+101.2	+365.6
Federal Reserve Notes in Circulation.....	769.1	-7.7	-36.6
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	73.0%	+2.0*	-6.9*

*Number of points.

Changes Between May 16 and June 13 in Factors Affecting Use of Federal Reserve Bank Funds Seventh District			
(Amounts in thousands of dollars)			
Reserve bank credit extended		+1,621	
Commercial operations through inter-district settlements		+98,007	
Treasury and National bank currency		-4,595	
Total supply		+95,033	
Demand for currency		-9,514	
Member bank reserve balances		+66,629	
Treasury cash and deposits at Federal Reserve Bank of Chicago		+6,136	
Special and "all other" deposits		+29,769	
Other Federal Reserve accounts		+2,013	
Total demand		+95,033	

MEMBER BANK CREDIT

Total loans and investments of licensed reporting member banks in the Seventh district declined 57 million dollars from May 16 to June 13, the greater part of which decrease, as shown by the accompanying table, took place in investment holdings. Net demand deposits gained 60 millions on June 13 over May 16, while time deposits recorded a decline of 15 millions. As against the aggregates reported for June 14, 1933, loans and investments on June 13 of this year showed an increase of 258 million dollars; investments alone gained 330 millions, but loans on securities and "all other" (commercial) loans declined 62 and 10 millions, respectively. Net demand deposits on June 13 were nearly 500 million dollars in excess of the June 14, 1933, aggregate, but time deposits were at a slightly lower level than a year ago.

A range of 1½ to 5 per cent, unchanged from a month previous, was reported by down-town Chicago banks as the prevailing rate on customers' commercial loans during the week ended June 15. The average rate earned on loans and discounts by Chicago banks located in the downtown area for the calendar month of May was 3.47 per cent, as compared with 3.18 in April and with 4.22 in May 1933. Detroit banks reported a range of 3½ to 6 as the rate prevailing on customers' commercial loans for the week ended June 15, as against 4 to 5 per cent for the corresponding week in the preceding month.

Dealer sales of commercial paper in the Middle West, after gaining uninterruptedly from December 1933 through April 1934, fell off 5½ per cent in May from the preceding month and were 54 per cent below the 1924-33 seasonal average. However, they aggregated 107 per cent heavier than a year ago and 44½ per cent larger than for the corresponding period of 1932. As this reversal in trend was due to decreased borrowing rather than to a decline in demand, selling rates continued to ease. Quotations for May, therefore, ranged from 5/8 and 3/4 per cent for prime short-term obligations to 1 and 1½ per cent for paper less well known or of longer maturity; the bulk of transactions took place at 3/4 to 1 per cent. Outstanding showed a seasonal decline of 4½ per cent on May 31 from a month earlier and remained 66 per cent under the 1924-33 average for the date, but were 126 per cent heavier than at the end of May 1933. An expansion in both supply and demand was responsible for the sales

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	JUNE 13	CHANGE FROM	
	1934	1934	JUNE 14
Total Loans and Investments	\$1,742	\$-57	+\$258
Loans on Securities	335	-1	-62
All Other Loans	407	-8	-10
Investments	1,000	-48	+\$330
Net Demand Deposits	1,583	+60	+\$492
Time Deposits	475	-15	-2
Borrowings from Federal Reserve Bank	0	0	0

gain of 25 per cent in the first half of June over the corresponding weeks of May. Selling rates on June 13 remained within a range of 5/8 to 1¼ per cent.

During the four weeks ended June 13, the supply of acceptances in the Chicago bill market decreased 5½ per cent from that of April 12 to May 16, a result of the decline in bills purchased locally more than offsetting a small gain in receipts from Eastern cities. All bills moved rapidly out of dealers' hands through an increased demand from out-of-town banks, although sales to Chicago banks declined and shipments to Eastern markets were almost nil. As in recent preceding periods, dealers were unable to accumulate any bills in their own portfolios. Selling rates remained within a range of 3/16 and ¼ per cent to ½ per cent.

After totaling exceptionally light in the preceding period, new financing by means of bankers' acceptances in the Seventh district rose 64½ per cent in May over April to a level higher than for any previous month since last December, but was 27½ per cent under a year ago and 12 per cent below the 1924-33 May average. The direct discounting of these bills at originating banks also showed a much larger expansion over a month earlier than is customary, although the gain was partially offset by a non-seasonal decline in buying of other banks' acceptances. Total purchases recorded the usual increase over April and were not only 48 per cent smaller than last May but 8 per cent under the ten-year average for the month. Sales, though remaining almost negligible, gained over both March and April, while a sharp increase in maturities in portfolios was responsible for a counter-to-seasonal decline in holdings to a level on May 31 below any preceding date in 1934. Furthermore, total maturities exceeded new financing to such an extent that the liability for outstandings aggregated less at the close of May than for any reporting date since September 29, 1928. In the first half of June, an increased demand for funds by several industries which had not borrowed in the preceding period was more than counterbalanced by a sharp contraction in utilization of acceptance credits by industries that had been heavy borrowers a month earlier; the amount of new financing by means of bankers' acceptances, therefore, fell off 58 per cent as compared with the corresponding weeks of May.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN MAY 1934 FROM APRIL 1934	PER CENT CHANGE IN MAY 1934 FROM MAY 1933
Total value of bills accepted	+64.6	-27.3
Purchases (including own bills discounted)	+18.9	-47.9
Sales	+82.9	-87.1
Holdings*	-9.4	-18.9
Liability for outstandings*	-10.3	-18.7

*At end of month.

SECURITY MARKETS

Demand in the Chicago bond market during May and the early part of June was largely confined to issues of outstanding quality, and the stronger prices among this class of bonds were in contrast to consistently weak prices

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM MAY 1934	APR. 1934	MAY 1933
Chicago	\$2,239	-8.3	+17.6
Detroit, Milwaukee, and Indianapolis	950	+2.5	+63.6
Total four larger cities	\$3,189	-5.3	+28.3
33 smaller centers	514	+8.3	+29.9
Total 37 centers	\$3,703	-3.6	+28.5

on speculative obligations. Foreign bonds were quiet during the period, and in most instances prices were slightly lower. Investment houses in the Seventh district report the major part of their current business to be from institutions. Prices on the Chicago Stock Exchange showed moderate fluctuations during May and the first half of June. The average price of twenty leading stocks* was \$30.95 on June 16, as compared with \$29.63 on the corresponding date in May.

*Chicago Journal of Commerce

Agricultural Products

Intensification of the drought during May in this district, as in other sections of the United States, brought about a serious decline in the condition of crops. Following the extreme deficiency of previous months, rainfall in May ranged between 22 per cent of normal in Illinois and 51 per cent in Wisconsin. Abnormally high temperatures prevailed during considerable periods in May and early June. During the first two weeks of June fairly general and beneficial rains fell, but these came too late to prevent serious damage. Hay and pastures, small grains, and truck gardens suffered most severely. Corn has made good progress except in dusty areas where it failed to germinate. Condition probably averages poor to fair. A good deal of fodder corn is being planted to replace losses in other feed crops.

The condition of oats is the lowest since 1893, and at the end of May a reputable private reporter forecast a crop of 339 million bushels for the five states including this district, with condition still declining at that time. Winter wheat condition declined during May, and the June 1 Government estimate was lowered 61 million bushels from the preceding month for the country as a whole and 7 millions for the five Seventh district states, to an amount one million larger than the 1933 production. Fruit trees continue in fair condition, with an increase over last year in this district indicated for pears, and a decrease for peaches and cherries.

Commercial estimates for the United States at the end of May averaged 126 million bushels for spring wheat and 789 millions for oats.

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of June 1 condition.

FIVE STATES INCLUDING SEVENTH DISTRICT			UNITED STATES		
FORECAST	FINAL	FORECAST	FINAL	1927-31	
1934	1933	1934	1933	Average	
Winter Wheat..	67,584	66,319	400,357	351,030	632,061
Rye.....	6,362	5,577	18,756	21,184	40,950
Peaches.....	602(a)	1,965(a)	48,673	45,326	57,919
Pears.....	1,148(a)	1,010(a)	21,425	21,192	22,540
Cherries ¹	28(b)	33(b)	106	112	93

¹In thousands of tons. (a) Illinois, Indiana, Iowa, and Michigan.
(b) Michigan and Wisconsin.

GRAIN MARKETING

Active demand developed for wheat and other grains during May, as information regarding drought damage to the new crops became more conclusive. In combination with limited offerings, this resulted in the strongest price situation since last summer.

Wheat shipments more than doubled the record low volume of April, rising to nearly two-thirds of the five-year May average; and receipts increased somewhat more than seasonally, but totaled 47 per cent less than a year ago. Visible supplies were reduced 11 million bushels from April 28 to June 9, as compared with a 5-million bushel decline in 1933. Exports fell to about half the April volume and below any month since November, but

contrasted with almost none in May last year. Prices of all grains moved sharply upward during the month, and by May 31 reached higher levels than any recorded since July and August of last year. Futures in May averaged higher than in April by 7 cents for wheat, 3 cents in the case of corn, and 5½ cents for oats. There was a moderate recession in all quotations during the first half of June.

Shipments of corn and oats were in good volume during May, corn exceeding the five-year monthly average for the first time since last November. Primary receipts, however, remained restricted in volume. Visible supplies of these grains continued the preceding month's decline at an accelerated rate, in contrast to increases shown during the corresponding 1933 period, and by June 9 were only slightly larger than a year earlier.

MOVEMENT OF LIVE STOCK

Forced liquidation of many immature animals, because of drought conditions prevailing over large areas, was responsible for a greater than seasonal expansion during May 1934 in live-stock marketings in the United States. Receipts of cattle, hogs, and lambs at public stock yards, as a result, were above the average of the preceding four months and those of calves attained a level higher than for any corresponding period since October 1930. However, the number of hogs and lambs remained less than a year ago, and the marketing of hogs continued in less than seasonal volume. Trends in the movement to inspected slaughter (inclusive of animals that did not pass through public stock yards) varied from those of market receipts in several instances: the supply of hogs was in excess of the 1924-33 May average, that of cattle exceeded any previous month since November 1927, and the number of calves was greater than for any corresponding period on record (January 1920).

An increase in reshipments to feed lots took place in May over April; the movement of cattle and calves remained less than a year ago and the 1929-33 seasonal average, but that of lambs gained in both comparisons.

MEAT PACKING

Coincident with increased marketing of live animals from drought-stricken sections of the country, the volume of production of packing-house commodities at slaughtering establishments in the United States rose 18 per cent in May over April to a level higher than for any month since January, and was not only ½ per cent greater than a year ago but 11½ per cent larger than the 1924-33 May average. Demand proved sufficiently strong to absorb the sales tonnage offered—which was heavier than in April, 9 per cent larger than last May, 10½ per cent greater than the 1924-33 average for the month, and slightly in excess of current production—at nearly the same general

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, May 1934.....	246	850	230	135
Federally Inspected Slaughter, United States				
May 1934.....	864	4,218	1,244	600
April 1934.....	749	3,411	1,164	526
May 1933.....	717	4,286	1,505	476

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

WEEK ENDED	MONTHS OF			
	JUNE 16	MAY	APRIL	MAY
Native Beef Steers (average).....	\$7.50	\$6.95	\$6.40	\$5.60
Fat Cows and Heifers.....	4.75	4.70	4.65	4.55
Calves.....	5.00	5.45	5.25	5.40
Hogs (bulk of sales).....	4.00	3.60	3.90	4.55
Lambs.....	8.35	9.20	9.35	6.30

price level as obtained in the preceding period, the decline in quotations for pork products being largely offset by an advance in beef, lamb, and veal prices. Quotations, therefore, remained considerably higher than in 1933 but were much lower than the 1924-33 average. Under the influence of the foregoing trends, the value of sales billed to domestic and foreign customers aggregated greater than for any corresponding period since October 1931, being 9½ per cent larger than in April and 22 per cent in excess of a year ago, but 27½ per cent less than the 1924-33 average for the month. In addition, inventories of these commodities in the United States showed more than a seasonal decrease on June 1 from the beginning of May to a level 97,759,000 pounds below the 1929-33 average for that date but 56,009,000 pounds above a year ago. Payrolls at the close of the period continued to reflect a marked improvement over last year and showed an increase over April of 5½ per cent in number of employees, 4½ per cent in hours worked, and of 6 per cent in wage payments.

Shipments for export increased rather sharply in May over a month earlier, principally owing to heavier consignments of lard to the United Kingdom and, in a lesser degree, to filling of orders for immediate delivery. In order to expand consumption of the increased supply, prices of American lard in the United Kingdom not only were held below Chicago parity but fell sufficiently to offset by a slight margin the advantage of processing tax refunds made by the United States Government on these exports. On the other hand, Continental trade in the commodity remained light—owing to strict import regulations—at prices above the United States parity. With the exception of moderate buying of hams at attractive prices by British importers, the European demand for American meats continued in small volume. Several countries took action during May further to reduce exchange and import quotas. United States holdings of packing-house commodities in foreign markets (inclusive of stocks in transit) were reported as somewhat heavier on June 1 than a month earlier.

DAIRY PRODUCTS

Creamery butter production in the Seventh Federal Reserve district expanded seasonally, or 41½ per cent, in May over April and exceeded any previous month since August 1933, but aggregated 11 per cent less than a year ago and 17½ per cent smaller than the 1924-33 May average. The sales tonnage gained 27½ per cent over April—as compared with a seasonal increase of 25 per cent—and was 2 per cent heavier than last May, but showed a decline of 5 per cent from the ten-year average for the month. After having recorded a less than customary gain in the preceding period, United States production of the commodity increased more than is ordinarily the case in May over April, though continuing 3½ per cent under a year ago. Demand, however, proved sufficiently strong to result in slightly firmer prices than obtained a month earlier and to prevent the full seasonal expansion in inventories. June 1 holdings of creamery butter in the United States, therefore, were 8,049,000 pounds under a year ago and 8,534,000 pounds lighter than the 1929-33 average for that date.

Conversely, American cheese manufacturing operations in Wisconsin expanded a smaller than normal amount in the four weeks ended June 2, being 19 per cent heavier than a month earlier and 2 per cent greater than a year ago but 7½ per cent below the 1929-33 average for the

period. On the other hand, the sales tonnage showed less than the customary recession from April. In decreasing only 3½ per cent in the four weeks ended June 2 from the preceding period, distribution of this commodity from primary markets in Wisconsin showed a more seasonal relationship to current production than obtained a month earlier and aggregated only 5 per cent less than a year ago and 11½ per cent smaller than the 1929-33 seasonal average. Prices were advanced approximately 3 per cent during the month. Total inventories of cheese in the United States gained less than the usual amount on June 1 over the beginning of May, but were 11,718,000 pounds in excess of the 1929-33 average for that date and 22,712,000 pounds heavier than a year ago.

Industrial Employment Conditions

Continued gains in employment and payrolls were reflected in the May reports from Seventh district industries, employment rising a little more than one per cent and payrolls a little less than that amount, as compared with the preceding month. The gains, which were in line with the usual movement at this season, were small in comparison with the sharp advances that were taking place at this time a year ago, and increases over last May—49 per cent in employment and 64 per cent in payrolls—consequently fell below those shown in a similar comparison a month earlier. The current employment volume, computed by means of link relatives, was the highest since October 1930, and wage payments were larger than in any month since June 1931.

The manufacturing group as a whole increased employment one per cent from April to May, but registered a fractional decline in payrolls. This decrease was mainly the result of curtailment in the automobile industry which affected not only the figures for the vehicles and the rubber products groups but also those for Michigan as a whole—the only state within the district not in line with the upward trend during May. The vehicles group maintained its volume of employment, while decreasing payrolls 4 per cent. Rubber products showed losses of 15 per cent in employment and 20 per cent in wage payments. The leather and textiles groups also receded from the April levels but at a more moderate rate, and increases were reported for all of the six remaining manufacturing groups included in the survey, the metals group reach-

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF MAY 15, 1934			CHANGE FROM APR. 15, 1934	
	REPORTING FIRMS NO.	WAGE EARNERS NO.	EARNINGS (000 OMITTED \$)	WAGE EARNERS %	EARNINGS %
Metals and Products ¹ ...	1,204	237,793	5,122	+2.4	+4.2
Vehicles...	222	326,455	8,366	+0.4	-4.1
Textiles and Products...	296	45,262	706	-0.2	-3.0
Food and Products...	578	88,556	1,887	+3.6	+7.3
Stone, Clay, and Glass...	166	10,624	217	+6.5	+10.1
Wood Products...	414	32,271	480	+2.5	+2.8
Chemical Products...	151	20,283	453	+1.5	+3.4
Leather Products...	101	20,812	371	-0.9	-1.7
Rubber Products ² ...	8	7,260	162	-15.0	-19.9
Paper and Printing...	556	63,831	1,450	+1.1	+1.3
Total Mfg., 10 Groups...	3,696	853,147	19,214	+1.2	-0.2
Merchandising ³ ...	1,300	62,361	1,244	+1.5	+1.6
Public Utilities...	80	82,350	2,390	+0.3	+4.3
Coal Mining...	18	3,544	59	-17.1	-11.2
Construction...	299	10,946	253	+27.2	+46.0
Total Non-Mfg., 4 Groups	1,697	159,201	3,946	+1.8	+5.1
Total, 14 Groups...	5,393	1,012,348	23,160	+1.3	+0.7

¹ Other than Vehicles. ² Michigan and Wisconsin. ³ Illinois and Wisconsin.

ing the highest point in employment and payrolls since May 1931.

Of the non-manufacturing groups, coal mining alone showed a decline from the preceding month, the losses in this group amounting to 17 per cent in number of men employed and 11 per cent in amount of payrolls. The construction industries registered greater-than-seasonal increases of 27 and 46 per cent, respectively, in men and payrolls. Gains in the large merchandising and public utilities groups contributed further to the aggregate rise of 2 per cent in employment and 5 per cent in payrolls shown for the non-manufacturing division as a whole.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Some curtailment was recorded during May in output of automobiles. United States production of passenger automobiles numbering 273,765 in the month, declined 5 per cent from the April volume, though totaling 50½ per cent heavier than in May last year when output showed a substantial gain over the preceding month. The decrease this May followed five consecutive months of expansion. The 57,876 trucks produced in the current period represented a decrease of 12 per cent from the preceding month and a gain of 76 per cent over May a year ago.

The decline experienced in May in Midwest distribution of automobiles at wholesale was the first to be recorded in the monthly comparison since last December, but sales continued to be above the year-ago level despite the steadily rising trend shown at that time. Sales to consumers numbered fractionally greater than a month previous, as will be noted in the table, and likewise remained substantially above last year. A further rise was shown in stocks of new cars on hand between the end of April and May 31, which represents an uninterrupted expansion since the first of the year. Stocks of used cars, on the other hand, totaled smaller in number than a month previous and were likewise below last year's level. Although the proportion of deferred payment sales to total sales of retail dealers reporting the item showed little change between April and May, the current ratio of 46 per cent compared with one of only 40 per cent reported by the same dealers for May last year.

IRON AND STEEL PRODUCTS

Shipments of steel from Chicago mills aggregated substantially heavier during the month of May than in April, while new business exceeded that of the preceding month by a somewhat more moderate amount; both items recorded large increases over the same month last year. Following a steady rise in the rate of steel ingot production through the middle of May, some slowing-down took place in the following week, but in the last week of the month

MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in May 1934 From Previous Months

	PER CENT CHANGE FROM APRIL 1934	COMPANIES INCLUDED	
	APRIL 1934	MAY 1933	
New Cars			
Wholesale—			
Number Sold.....	-12.6	+14.0	18
Value.....	-14.9	+45.2	18
Retail—			
Number Sold.....	+ 0.5	+19.4	54
Value.....	-0.1	+9.5	54
On Hand May 31—			
Number.....	+8.3	+81.6	54
Value.....	+13.0	+77.2	54
Used Cars			
Number Sold.....	-0.6	+4.7	54
Salable on Hand—			
Number.....	-4.6	-2.7	54
Value.....	+1.8	+3.8	54

output again rose and in the first week of June had attained a rate of 69 per cent of capacity, which rate was maintained through the following week. Ingot production averaged 45 per cent of capacity in the middle of June last year, 20 per cent in 1932, and 40 per cent in 1931, while the rate in mid-June 1930 approximated 75 per cent of capacity. The daily average of pig iron production in the Illinois and Indiana district gained more than 25 per cent in May over April and exceeded the peak month (July) last year by approximately 15 per cent. The scrap market appeared somewhat steadier in the second week of June, after having shown a steadily declining trend for a number of weeks.

Steel casting foundries of the Seventh district reported a further moderate decline in new business for May, the volume of orders booked totaling 6 per cent less than in April. Shipments and production showed a sharp acceleration, the volume of the former rising 63 per cent and of the latter 48 per cent above the tonnage figures of the preceding month. At malleable foundries, orders booked and production approximated the volumes reported for April, while shipments rose 6 per cent. The increases over a year ago reported by this type of foundries—48 per cent in orders, 85 per cent in production, and 112 per cent in shipments—were considerably smaller than those recorded a month earlier, owing to the expansion in business that was taking place at the same time a year ago. At steel foundries, however, increases in the yearly comparison ranged from 218 per cent for orders to 310 for production, the former gain being smaller than in a similar comparison for April but the latter totaling larger.

In the manufacture of stoves and furnaces, orders accepted decreased 6 per cent in May from April, after a steady rise in the item since April 1933. Molding-room operations showed little change from the preceding month, while shipments increased 32 per cent and inventories gained 16 per cent. Current operations exceeded those of a year ago by 62 per cent, shipments and orders were, respectively, 83 and 58 per cent larger, and inventories showed a gain of 87 per cent in this comparison.

FURNITURE

A slight up-turn of 3 per cent from the lowered volume of April was recorded in May orders booked by furniture manufacturers reporting to this bank, in comparison with a gain of 11 per cent in the average for the period and of 30 per cent in May 1933 over April. The May volume of shipments totaled 28 per cent heavier than that of the preceding month, which increase was in contrast to a seasonal contraction for May of 9 per cent and compared with a gain in the corresponding period of 1933 of 19 per

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	MAY 1934: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	APRIL 1934	MAY 1933	
Wholesale Lumber:			
Sales in Dollars.....	+22.7	+20.8	10
Sales in Board Feet.....	+19.5	-10.8	8
Accounts Outstanding ¹	+13.8	+25.1	10
Retail Building Materials:			
Total Sales in Dollars.....	+21.8	+28.2	178
Lumber Sales in Dollars.....	+29.1	+25.7	63
Lumber Sales in Board Feet.....	+26.2	+8.1	72
Accounts Outstanding ¹	+4.5	+2.5	170
Ratio of Accounts Outstanding ¹ to dollar sales during month			
	APRIL 1934	MAY 1934	MAY 1933
Wholesale Trade.....	158.0	170.4	152.3
Retail Trade.....	310.3	362.5	391.1

¹ End of month.

cent; moreover, for the first time this year shipments exceeded the current volume of orders. This reversal in the ratio of new orders to shipments, occasioned by the considerably greater increase in shipments than in orders, effected a contraction in the volume of unfilled orders—moderated by a heavy recession in cancellations—so that those outstanding at the close of May totaled 15 per cent under a month previous, and registered a decline in the ratio to current orders of 20 points from the 111 per cent obtaining at the end of April. Although shipments continued for the thirteenth consecutive month in excess of those made during the corresponding period a year ago—the 13 per cent margin comparing favorably with that a month previous of only 2 per cent—the volume of new orders failed for the first time since October 1933 to show an increase in the comparison, actually declining 14 per cent. The rate of operations averaged 56 per cent of capacity currently, 6 points greater than the ratio obtaining in April and 11 points above that of May 1933.

SHOE MANUFACTURING, TANNING, AND HIDES

Shoe manufacturers in the Seventh district continued operations at an unusually high rate during May, output falling seasonally below that of the preceding month but remaining, except for the March and April volumes, above any recorded since August 1933. District production during April, for which final figures are now available, showed a decline of $7\frac{1}{2}$ per cent from March, was 23 per cent heavier than in April 1933, and 30 per cent above the ten-year (1924-33) average for the month. In the tanning industry, production increased slightly over April, while sales declined and prices weakened. The movement of green packer hides in the Chicago district was somewhat larger in May than April, but sales were made at steadily declining prices, quotations at the beginning of June showing a drop of two cents from those of a month earlier.

Building Materials, Construction Work

Seasonal or better expansion took place during May in most lines in the Seventh district building materials field. The weather continued generally favorable for outdoor work, which is reported to be under way in moderate volume, with considerable variation between localities.

Operations at wholesale lumber yards increased by 23 per cent over April in dollar sales and $19\frac{1}{2}$ per cent in board feet, as compared with five-year average increases of about 5 per cent in each item. Aggregate sales of reporting retailers gained 22 per cent over a month previous, and their lumber sales expanded 29 per cent—considerably better than the seasonal trend for both items. In the year-ago comparison, both wholesale and retail yards reported smaller gains than in recent months, which is accounted for by the sharp increases which occurred in the same period of 1933 under the stimulus of rising prices. The ratio of accounts to dollar sales recorded declines for both wholesalers and retailers, as is typical when demand is expanding.

COMMODITY	WHOLESALE TRADE IN MAY 1934				
	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLEC-TIONS	
Groceries.....	+22.7	+14.5	+6.7	+20.0	94.9
Hardware.....	+30.0	+34.6	+8.9	+51.8	175.8
Dry Goods.....	+27.8	+59.2	+3.4	+39.6	217.2
Drugs.....	+25.7	+11.5	-10.5	+21.7	178.5
Electrical Supplies.....	+60.5	+37.4	+14.3	+92.9	146.7

The market for brick and tile was restricted in rural sections, but a slight expansion was reported for Chicago. Stocks are being held at the lowest level consistent with prospective near-future demand. There was considerable improvement in cement operations, partly attributed to greater activity in road-paving this year than at the same time a year ago. Producers' stocks are moderately heavy, but dealers are reported to be carrying excessive supplies. The price level in all lines continued stable, under the influence of the various codes.

BUILDING CONSTRUCTION

Building activity in the Seventh Federal Reserve district again declined somewhat during May from the preceding month, according to total building contracts awarded which amounted to only slightly over 22 millions, a drop of more than 2 million dollars from the April volume. Residential awards amounted to 17 per cent of all contracts, and the volume was the largest reported for that classification since October 1931.

PERIOD	BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT	
	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
May 1934.....	\$22,185,752	\$3,798,574
Change from April 1934.....	-10%	+30%
Change from May 1933.....	+113%	+34%
First five months of 1934.....	\$115,725,207	\$12,189,413
Change from same period 1933.....	+210%	+71%

*Data furnished by F. W. Dodge Corporation.

The Seventh district trend in estimated cost of proposed construction, according to building permit figures in 99 cities, continued upward during May. The increase over April, partly seasonal in nature, amounted to 25 per cent, while as compared with a year ago, a gain of 90 per cent was registered. The number of permits issued during May increased 9 and 20 per cent, respectively. All of the five larger cities in the district—Chicago, Detroit, Milwaukee, Indianapolis, and Des Moines—followed the group trend in estimated cost of proposed construction in the monthly comparison.

Merchandising

The gains shown for May over April in reporting groups of wholesale trade were greater than seasonal in extent, and in drugs the increase was contrary to trend. Grocery and electrical supply sales each expanded 19 per cent over the preceding month, hardware 12 per cent, and dry goods 9 per cent, as against gains in the average for the period of 4 per cent each in groceries and electrical supplies, 3 per cent in hardware, and one per cent in dry goods, while the increase of 2 per cent in the drug trade compared with a decline of 2 per cent in the 1924-33 average for May. In the grocery trade, the gain of 23 per cent over last May was the largest shown in the year-ago comparison so far in 1934, but the increases in other lines, noted in the table, were for the most part smaller than in

LOCALITY	DEPARTMENT STORE TRADE IN MAY 1934				
	PER CENT CHANGE MAY 1934 FROM MAY 1933		PER CENT CHANGE FIRST FIVE MONTHS 1934 FROM SAME PERIOD 1933		RATIO OF MAY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF APRIL
	NET SALES	STOCKS END OF MONTH	NET SALES	1934	1933
Chicago.....	+13.6	+21.1	+18.9	30.5	29.7
Detroit.....	+25.4	+30.4	+47.2	45.8	34.6
Indianapolis.....	+11.4	+48.6	+22.1	39.9	38.2
Milwaukee.....	+8.6	+24.0	+21.4	38.4	32.0
Other Cities.....	+27.2	+20.7	+33.1	32.8	28.9
7th District.....	+17.5	+25.1	+27.0	37.0	32.0

previous months this year. In the first five months of 1934, electrical supply sales exceeded those of the corresponding period of 1933 by 80 per cent, hardware sales were greater by 62 per cent, dry goods by 53 per cent, drugs by 32 per cent, and groceries by 21 per cent. In all groups, ratios of accounts outstanding at the end of May to sales during the month were smaller than a month previous or a year ago. In the drug, grocery, hardware, and electrical supply trades, prices appear to be steady to upward, but dry goods prices trend slightly downward.

Seventh district department store trade increased 7 per cent in May over the preceding month, in contrast to a recession of one-half per cent in the 1924-33 average for May. The total for stores in smaller cities of the district and that for Chicago showed the heaviest gains in this comparison, sales in the former group expanding 16 per cent over the April volume and those by Chicago stores aggregating 12 per cent greater, while sales of Indianapolis and Detroit firms were only 4 and 2 per cent larger, respectively, and Milwaukee trade declined 9 per cent. As in the monthly comparison, stores in smaller cities were largely responsible for the size of the increase recorded over a year ago—17½ per cent—their aggregate sales being 27 per cent larger than for last May, while Milwaukee stores showed the smallest gain—9 per cent. The fractional recession from a month previous in stocks on hand at the end of May was less than seasonal, and for the second successive month stock turnover failed to equal that for the same month of 1933; however, turnover for the year to date continued to be in excess of that last year. Although the May ratio of collections to accounts

outstanding was higher than that for May last year, the difference was not so great as in the preceding month.

The dollar volume of shoes sold during May by reporting dealers and the shoe departments of department stores totaled one-third heavier than in April when a non-seasonal decline was recorded. The expansion in the current period was the largest for May in any of the years 1926 through 1933 and compared with a gain of but 3 per cent in the average for those years. As a consequence, sales aggregated 27 per cent above those for the corresponding month last year, whereas in a similar comparison for April, the increase amounted to only 3½ per cent. In the first five months of 1934, the sales volume exceeded that of the same months of 1933 by 28 per cent.

Similarly, the retail furniture trade experienced a more than seasonal expansion in May, with an increase in sales of 12 per cent as against one of 5 per cent in the 1927-33 May average. However, in the comparison with a year ago, sales totaled only 10 per cent larger, whereas in April the gain over a year previous was 42 per cent. As in the preceding month, installment sales by dealers showed heavier increases than did total sales, gaining 21 per cent in the monthly and 40 per cent in the yearly comparison.

A 10 per cent increase over April and one of 14 per cent over a year ago were shown for May in aggregate sales of reporting chains. Musical instrument sales were smaller in both these comparisons and grocery sales totaled less than for last May, but all other groups which include five-and-ten-cent store, drug, shoe, cigar, and men's clothing chains, had heavier sales than either a month previous or a year ago.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

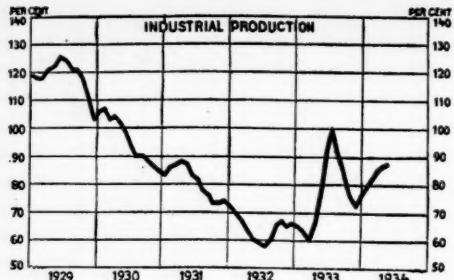
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

No. of Firms	May 1934	Apr. 1934	Mar. 1934	Feb. 1934	Jan. 1934	Dec. 1933	May 1933	Apr. 1933	Mar. 1933	Feb. 1933	Jan. 1933	Dec. 1932
Meat Packing—(U. S.)—												
Sales (in dollars).....	62	68	62	63	63	60	54	56	48	45	44	46
Casting Foundries—												
Shipments:												
Steel—In Dollars.....	13	44	31	28	22	21	18	12	10	11	10	12
In Tons.....	13	47	31	28	21	21	20	13	10	12	11	12
Malleable—In Dollars.....	21	41	38	36	28	23	23	16	12	10	11	11
In Tons.....	21	62	58	58	44	38	36	29	22	16	20	18
Stoves and Furnaces—												
Shipments (in dollars).....	10	108	84	82	63	45	78	54	44	38	35	22
Furniture—												
Orders (in dollars).....	14	27	25	31	28	35	18	32	24	19	24	25
Shipments (in dollars).....	14	30	23	24	29	21	23	27	23	20	20	19
Flour—												
Production (in bbls.).....	21	101	92	106	107	121	104	108	114	110	91	103
Output of Butter by Creameries—												
Production.....	67	121	85	80	72	78	80	135	94	93	85	93
Sales.....	69	115	90	92	93	93	101	113	87	96	91	89
Wholesale Trade—												
Net Sales (in dollars):												
Groceries.....	28	77	64	67	61	63	62	63	56	58	51	52
Hardware.....	11	70	62	52	39	38	46	54	39	28	22	30
Dry Goods.....	9	44	40	42	34	37	28	34	26	23	21	25
Drugs.....	13	66	64	71	64	70	67	54	49	49	49	58
Retail Trade (Dept. Stores)—												
Net Sales (In Dollars):												
Chicago.....	25	71	63	66	54	54	105	64	57	56	44	45
Detroit.....	5	93	91	92	67	58	114	74	65	45	40	48
Indianapolis.....	4	81	78	84	56	62	119	73	70	52	47	54
Milwaukee.....	5	74	82	71	58	58	111	68	70	51	46	47
Other Cities.....	43	75	65	73	53	52	102	60	57	44	38	40
Seventh District.....	82	76	71	73	57	55	108	66	61	51	43	46
Automobile Production—(U. S.)—												
Passenger Cars.....	94	99	94	64	39	17	62	52	33	31	38	29
Trucks.....	154	174	150	117	115	78	87	69	47	41	51	56
Building Construction—												
Contracts Awarded (in dollars):												
Residential.....	13	10	8	6	4	3	10	5	5	2	3	3
Total.....	32	36	37	24	40	48	15	10	12	6	12	14
Iron and Steel—												
Pig Iron Production.*	68	54	49	39	34	31	31	18	18	21	19	19
Illinois and Indiana.....	67	59	53	46	40	39	29	21	18	20	19	18
United States.....	94	88	78	69	56	55	56	41	25	34	30	25

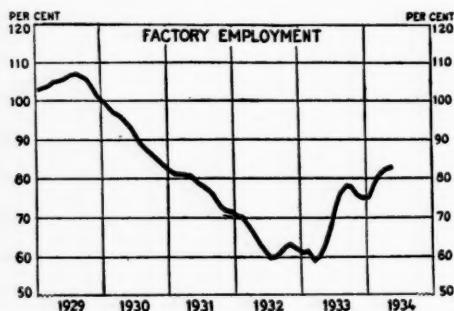
*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

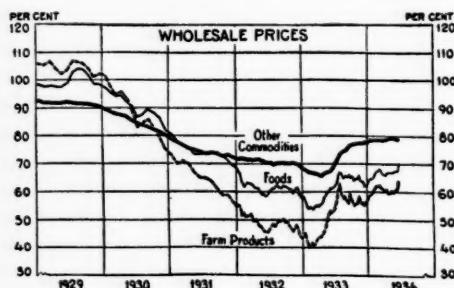
(By the Federal Reserve Board)



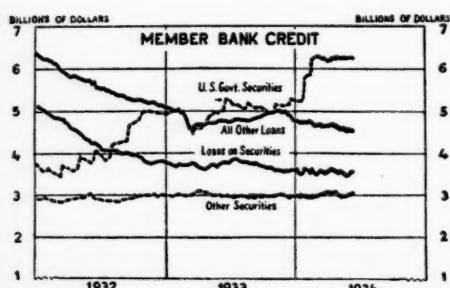
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Federal Reserve Board's index of factory employment, adjusted for seasonal variation (1923-1925 average = 100).



Indexes of the United States Bureau of Labor Statistics. By months 1929 to 1931; by weeks 1932 to date (1926 = 100).



Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for June 13.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

INDUSTRIAL production increased slightly in May, while factory employment and payrolls showed little change. The general level of wholesale prices, after remaining practically unchanged since the middle of February, advanced sharply in the middle of June, reflecting chiefly increases in the prices of live stock and live-stock products.

PRODUCTION AND EMPLOYMENT

Industrial production, as measured by the Board's seasonally adjusted index, advanced from 86 per cent of the 1923-1925 average in April to 87 per cent in May, as compared with a recent low level of 72 last November. Activity at steel mills increased further from 54 per cent of capacity in April to 58 per cent in May, while output of automobiles showed a decline. Lumber production continued at about one-third the 1923-1925 level.

In the textile industries, output declined somewhat, partly as a consequence of seasonal developments. At mines, coal production showed little change in volume, while output of petroleum continued to increase.

In the first three weeks of June, activity at steel mills continued at about the May level, although a decline is usual at this season. Maintenance of activity reflected in part, according to trade reports, considerable stocking of steel. Output of automobiles declined somewhat, as is usual at this season.

Employment in factories, which usually declines slightly between the middle of April and the middle of May, showed little change, while employment on the railroads, in agriculture, and in the construction industry increased, as is usual at this season. Increased employment was shown at manufacturing establishments producing durable goods, such as iron and steel and non-ferrous metals, while employment declined at establishments producing non-durable manufactures, such as textiles and their products.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, has shown a decline in the spring months, reflecting a reduction in the volume of contracts for public projects. The volume of construction work actually under way has increased as work has progressed on contracts previously awarded.

Department of Agriculture estimates, based on June 1 conditions, indicated unusually small crops of winter wheat and rye and exceptionally poor conditions for spring wheat, oats, hay, and pastures, largely as a consequence of a prolonged drought. The winter wheat crop was estimated at 400 million bushels, as compared with a five-year average of 630 million bushels and an exceptionally small crop of 350 million bushels last season. Rains in early June somewhat improved prospects for forage and grain crops not already matured.

DISTRIBUTION

Total freight traffic increased in May by more than the usual seasonal amount, reflecting in considerable part a larger volume of shipments of miscellaneous products. At department stores the value of sales showed an increase, as is usual at this season.

COMMODITY PRICES

During May and the first three weeks of June, wholesale prices of individual farm products fluctuated widely, while prices of most other commodities showed little change. Wheat, after advancing rapidly during May, declined considerably in the first three weeks of June. Cotton continued to advance in the early part of June. In the middle of the month, hog prices increased sharply from recent low levels. Automobile prices were reduced in the early part of June, and copper prices advanced.

BANK CREDIT

During May and the first half of June, there was little change in the volume of reserve bank credit outstanding. As a consequence of expenditure by the Treasury of cash and deposits with the Federal Reserve banks and a growth in the country's monetary gold stock, member bank reserve balances advanced further to a level \$1,800,000,000 in excess of legal requirements. In the week ending June 20, however, excess reserves dropped to \$1,675,000,000, reflecting an increase in Treasury deposits at the reserve banks in connection with June 15 tax receipts and sales of Government securities.

Total loans and investments of reporting member banks increased by \$80,000,000 between May 16 and June 13, reflecting a growth in holdings of investments other than United States Government securities and in open-market loans to brokers and dealers, while loans to customers declined. Net demand deposits increased by about \$400,000,000 during the period.

Money rates in the open market continued at low levels. The rate on prime commercial paper declined to 3 1/4 per cent in June, the lowest figure on record.

